

Montana Medicaid Part D Prescription Drug Program
Section 1115 Waiver
For Health Care Reform
EXECUTIVE SUMMARY

EXHIBIT 1
DATE 01-11-2011
HB 6

The State of Montana, Department of Public Health and Human Services (DPHHS), informally submits this Montana Medicaid Part D Prescription Drug Program Section 1115 Waiver demonstration initiative designed, "To provide citizens of Montana access to Medicaid drug pricing to increase affordable prescription drug coverage."

Insured In Montana

The Kaiser Family Foundation report estimated there were over nine million (9,073,366) prescriptions filled in 2005 by retail pharmacies in Montana (this estimate did not include mail order pharmacies).⁽³⁾ An annual 2009 estimate of the Montana population of 974,989 shows 15.9% are without health insurance. This means almost one in six residents do not have private or public health insurance. Health insurance is highly correlated with pharmacy benefits, so a lack of health insurance indicates a lack of pharmacy benefits.

A study by the Kaiser Family Foundation shows that about 98% of health insurance plans offered by employers have some form of pharmacy benefit. This implies that residents with health insurance will most likely have some coverage to reduce the out-of-pocket expenses for medications. Another source indicates that 20% of families with at least one person working fulltime were uninsured.⁽³⁾

In Montana, 45% of private employers offer health insurance benefits.⁽³⁾ Availability of benefits varies by size of the business with 36.3% of employers with fewer than 50 employees providing health insurance compared to 94.7% of employers with 50 or more employees.⁽³⁾

To contain costs related to pharmaceuticals, many health insurance plans and pharmacy benefit managers have excluded coverage for some high-cost medications through multiple tier systems and/or increased patient cost-sharing fees for any given tier.⁽²⁾ Since 2000, the percent of individuals with employer-based health insurance whose pharmacy benefits have added third and fourth copayment tiers has almost tripled (27% to 74%). The additional tiers represent added financial burden on the patient.

In 2003, approximately 14.2% of Montanans were living below the Federal poverty level.⁽⁵⁾ The percent of the population below poverty ranged from 9.2% in Jefferson County up to 26.2% in Roosevelt.⁽⁶⁾ The number of residents living below Federal poverty rates has implications for inability to afford health insurance or out-of-pocket health care costs such as prescriptions.

Although prescription medications comprise only one-tenth of the all healthcare spending, they are one of the most apparent expenses to the patient. Prescription services involve an out-of-pocket expense for virtually everyone. It is one of the most immediate felt costs associated with healthcare. Just over half (54%) of all out-of-pocket healthcare expenses are related to prescriptions.⁽⁴⁾ Even insured patients will likely have expenses in the form of co-payments and deductibles for their prescription medications. In 2004, prescriptions accounted for 9.1% of personal health expenditures.⁽³⁾

Waiver Purpose

The purpose of this waiver is to remove barriers to pharmacy coverage for Montanans by extending Medicaid eligibility for a Medicaid prescription drug benefit through a Section 1115 Waiver. The prescription drug benefit is to offer prescription drugs at a lower price, which is the Medicaid best price, to all Montana residents regardless of insurance status. Best price will be achieved in a two step process, first by offering Medicaid drug pricing at the pharmacy counter and passing on associated Medicaid drug rebates, net of administrative costs.

Waiver Population

Montana residents regardless of insurance status and up to 200 percent of Federal Poverty Level (FPL) (income above this level will be disregarded) will be eligible to enroll. Individuals must be U.S. citizens and must apply. Enrollment will be voluntary. The waiver population does not include otherwise enrolled Medicaid individuals, those already enrolled in Medicaid through the State Plan or other Medicaid waivers. The population will not be capped.

Pharmacy Benefit Administrator (PBA)

Montana negotiates the best Medicaid drug price with pharmaceutical drug manufactures. The best price may be achieved through a drug rebate program. This benefit will be extended to all U.S. citizens who are residents of Montana that apply for the Montana Medicaid Part D Prescription Drug Program Section 1115 Waiver.

Drug Program Benefit

The waiver will offer Medicaid prescription drug pricing for Montana Medicaid covered prescription drugs to waiver enrollees. Waiver enrollees will be issued a Medicaid Part D Prescription Drug Program Waiver card. Uninsured waiver individuals will pay the Medicaid price. Waiver individuals with Third Party Liability (TPL) will pay the TPL cost share up to the Medicaid drug price. TPL pays the pharmacy the TPL price. TPL benefits for otherwise insured individuals will not change. The Medicaid waiver will only apply to drugs covered by the State Plan Medicaid Pharmacy Program. We will not provide wrap around pharmacy services.

Prescription Drug Card

The Medicaid Part D Prescription Drug Program Waiver card will identify the waiver individual and include the phone number for the program. Participating providers, including out of state providers, will be reimbursed at the Medicaid rate.

Cost Share

The Medicaid Part D Prescription Drug Program Waiver does not require cost share. Individuals will continue to be responsible for the amount of TPL cost share up to the Montana Medicaid drug allowed amount.

Reimbursement Process

- Waiver individuals, regardless of insurance status, will present the Medicaid Part D Prescription Drug Program Waiver card at the pharmacy.
- Uninsured individuals will pay the Medicaid price for the Medicaid covered drug at the counter. The waiver will not cover prescription drug wrap around services. The pharmacy will submit the claim to DPHHS Medicaid. DPHHS Medicaid will process claims for the sole purpose of

collecting drug rebates for all Medicaid covered drugs. Drug rebates will be distributed periodically, net of administrative costs.

- Individuals with TPL will continue to pay the plan required cost share at the pharmacy not to exceed the Medicaid drug allowed amount. The waiver will only apply to drugs covered by the State Plan Medicaid Pharmacy Program. We will not cover prescription drug wrap around services.

TPL will pay the TPL amount to the pharmacy for the prescription as primary payer. The pharmacy will submit the claim to DPHHS Medicaid. DPHHS Medicaid will process claims for the sole purpose to collect drug rebate for all Medicaid covered drugs. Drug rebates will be distributed periodically, net of administrative costs.

State Plan Prescription Drug Program

Medicaid will continue to process prescription drug claims in the same manner for non-waiver Medicaid State Plan Pharmacy Program services. The Medicaid State Plan Pharmacy Program will receive the negotiated best price as does the waiver.

Medicaid covers legend drugs; some prescribed over-the-counter products manufactured by companies who have a signed Federal rebate agreement; some vaccines; compound prescriptions; and contraceptive supplies and devices.

State Plan Pricing Methodology

Medicaid reimbursement for drugs shall not exceed the lowest of: 1) The Estimated Acquisition Cost (EAC) of the drug plus a dispensing fee; or 2) The Federal Upper Limit (FUL), Maximum Allowable Cost (MAC) of the drug, plus a dispensing fee; or, 3) The State Maximum Allowable Cost (SMAC) of the drug, plus a dispensing fee; or, 4) The provider's usual and customary charge of the drug to the general public. See IV. State Specific Elements, E. Benefit Package for the Medicaid pricing methodology.

Individuals otherwise enrolled in Medicaid have the State Plan prescription drug benefit, which remains unchanged.

Federal and State Waiver Cost

The uninsured individual pays the best Medicaid price for Medicaid covered prescription drugs. The TPL will continue to pay the pharmacy the TPL reimbursement. The Medicaid waiver will only apply to drugs covered by the State Plan Medicaid Pharmacy Program. We will not provide wrap around pharmacy services.

Federal and State governments will share in administrative costs for system changes, eligibility staff, and rebate staff.

I. GENERAL DESCRIPTION

This demonstration will extend pharmacy coverage to all Montana residents in a fashion that furthers public, private, and individual fiscal responsibility. The demonstration is designed to assist Montanans by offering access to afford prescription drug coverage by enrolling them in the Medicaid Part D Prescription Drug Program Waiver. The prescription drug benefit is to offer prescription drugs at a lower price, which is the Medicaid best price, to all Montana residents regardless of insurance status. Best price will be achieved in a two step process, first by offering Medicaid drug pricing at the pharmacy counter and passing on associated Medicaid drug rebates, net of administrative costs.

DPHHS will negotiate the best price for Medicaid covered prescription drugs with pharmaceutical drug manufactures. The best price may be achieved through a drug rebate program. The waiver will offer Medicaid prescription drug pricing for Montana Medicaid covered prescription drugs to waiver enrollees.

Medicaid Prescription Drug Program Waiver enrollment is voluntary and is not capped. Montana residents regardless of insurance status and up to 200 percent of FPL (income above this level will be disregarded) will be eligible to enroll. Individuals must apply and must not be otherwise enrolled in Medicaid. Waiver enrollment will be entered into the CHIMES eligibility system unless it is determined that another DPHHS eligibility system will be less expensive and time consuming to modify for waiver enrollment. DPHHS will issue Medicaid Part D Prescription Drug Program Waiver cards to waiver enrollees.

The waiver will offer Medicaid prescription drug pricing for Montana Medicaid covered prescription drugs to waiver enrollees. Waiver enrollees will be issued a Medicaid Part D Prescription Drug Program Waiver card. Uninsured waiver individuals will pay the Medicaid price. Waiver individuals with Third Party Liability (TPL) will pay the TPL cost share up to the Medicaid drug price. TPL pays the pharmacy the TPL price. TPL benefits for otherwise insured individuals will not change. The Medicaid waiver will only apply to drugs covered by the State Plan Medicaid Pharmacy Program. We will not provide wrap around pharmacy services. Pharmacies will send, via any acceptable claims format, all waiver enrollee prescription drug claims to the DPHHS MMIS claim system.

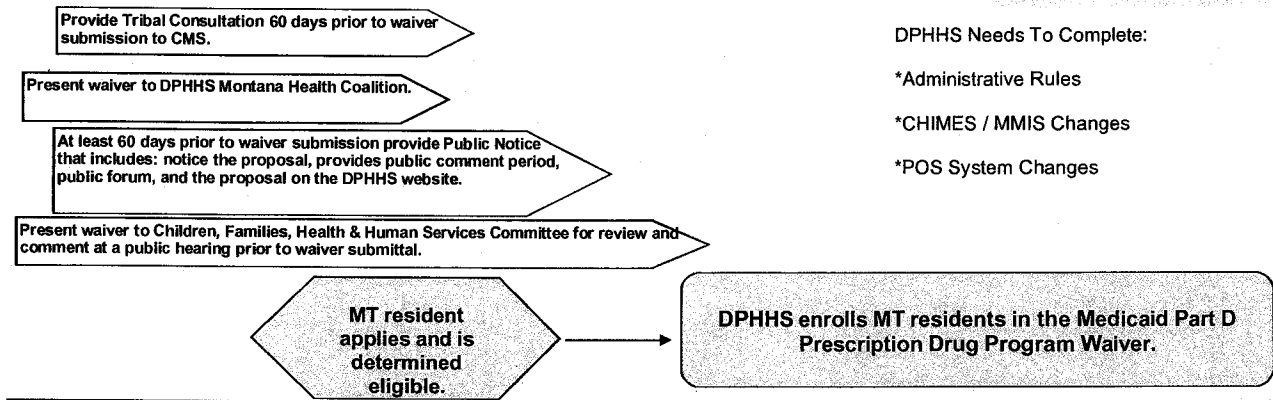
DPHHS Medicaid will process the claim for the sole purpose of collecting drug rebate for all Medicaid covered drugs. Medicaid will pass on associated drug rebates, net of administrative costs.

Medicaid will continue to process prescription drug claims in the same manner for non-waiver Medicaid State Plan Pharmacy Program services. Medicaid State Plan Pharmacy Program will receive the negotiated best price as does the waiver.

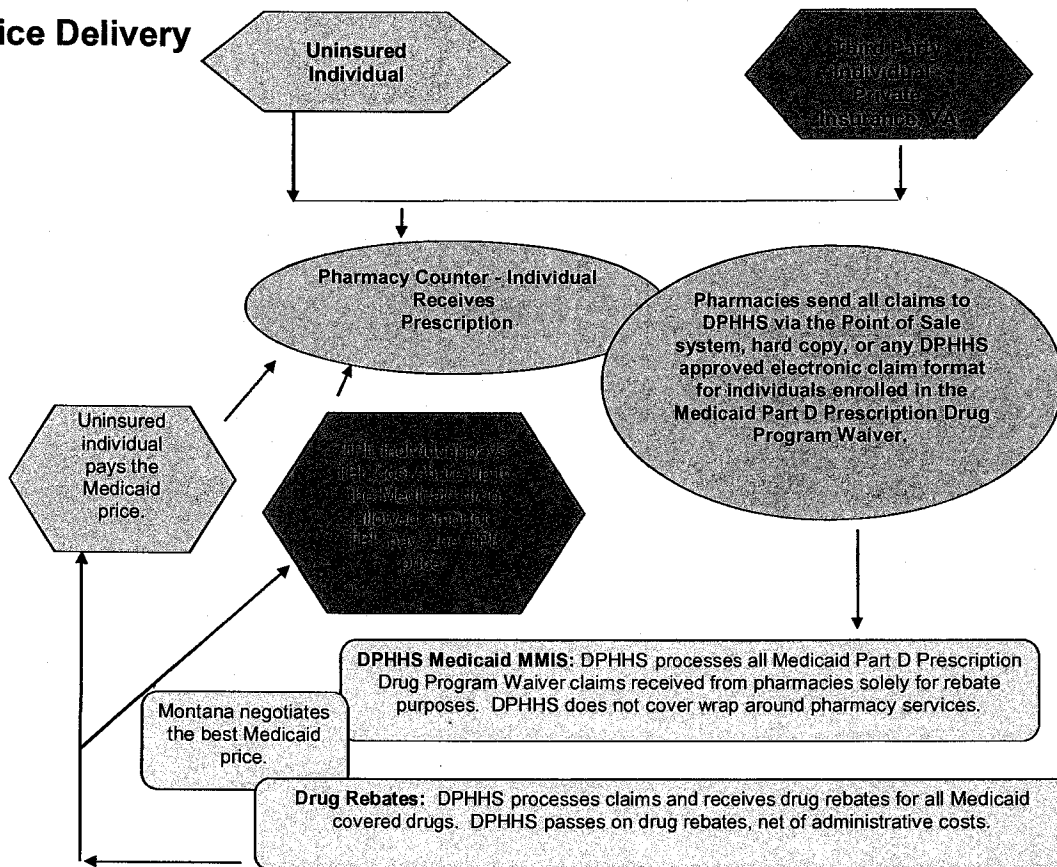
This prescription drug benefit will not cost the Federal or State government in benefits. The uninsured individual pays the best Medicaid price for Medicaid covered prescription drugs. The TPL will continue to pay the pharmacy the TPL reimbursement. Medicaid will not provide wrap around pharmacy services for Medicaid Part D Prescription Drug Program Waiver enrolled individuals. Federal and State governments will share in administrative costs for system changes, eligibility staff, and rebate staff. These costs will be funded by rebate collections.

See Figure VI. Draft Timeline for Medicaid Part D Prescription Drug Program Waiver for waiver activity proposed completion dates.

Montana Medicaid Part D Prescription Drug Program Section 1115 Waiver DRAFT PROCESS



Service Delivery



*Medicaid State Plan Pharmacy program will not change for people already enrolled in Medicaid through the State Plan or other Medicaid waivers. Individuals will continue to pay Medicaid cost share. Medicaid will be included in the best price negotiation.

11/1/2010